



Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators

The Department of State, Office of Inspector General contracted with Regis & Associates, PC, Certified Public Accountants, to perform agreed-upon procedures to determine whether NAFSA: Association of International Educators' proposed indirect cost rates for the years ended December 31, 2005 and 2004 complied with applicable regulations. The independent accountants found NAFSA's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, and Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

In reviewing NAFSA costs under the grants, the independent accountants noted that the proposed indirect costs for 2005 and 2004 included (1) a total of \$292,741 in bank charges related to NAFSA member subscriptions and (2) a total of \$4,810 in overhead costs for personal use gifts and alcoholic beverages. In both cases, the charges contravene the provisions of OMB Circular A-122. Accordingly, they questioned these costs totaling \$297,551 (\$155,255 for 2005 and \$142,296 for 2004) as unallowable. The independent accountants recommended that the Department accept and finalize the indirect cost rates for the years ended December 31, 2005 and 2004 as recommended in the report.

The work for OIG Report AUD/CG-08-10 was conducted by Regis & Associates PC, Certified Public Accountants. This is an unclassified summary of a full report, which may receive limited official distribution.

Office of Inspector General

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